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SUBJECT: Jordan's 2010 Budget Hits Government Agencies Hard with
Capital Expenditure, Hiring and Travel Cuts

REFS: A. 09 Amman 2673

[1](#)B. 09 Amman 2572
[1](#)C. 09 Amman 2408
[1](#)D. 09 Amman 2190
[1](#)E. 09 Amman 2064
[1](#)F. 09 Amman 1932
[1](#)G. 09 Amman 1646
[1](#)H. 08 Amman 2982

[1](#)1. (SBU) Summary: The severe cuts to the 2010 budget have hit Government of Jordan (GOJ) ministries hard (ref A). With a projected deficit of \$1.43 billion, the 2010 budget of \$7.71 billion includes 20% cuts to capital expenditures and 1.4% cuts to current expenditures, and will impact GOJ entities by curtailing their ability to hire new employees, and forcing cuts in overtime, official travel, and purchases of vehicles and furniture. The tight budget could also impact the USG as Jordan will likely request additional financial and technical assistance to compensate for budget shortfalls. Existing reform and development projects requiring new staff or construction will also face financial constraints. Budget difficulties will be more pronounced during the second half of 2010, as revenues are expected to decrease from 2009 levels, due to lower income and sales tax revenues. End summary.

[1](#)2. (SBU) A recurring theme during recent EconOff engagement with GOJ officials from a broad spectrum of ministries and other agencies is the significant impact of Jordan's budget deficit and the cuts in the 2010 budget on GOJ entities. Jordan's 2010 budget, with \$6.74 billion in projected revenues, \$7.71 billion in expenditures, was approved on December 8, one day before the cabinet shake-up (ref A). The budgeted deficit before grants for 2010 is targeted at \$1.4 billion or 5.8% of Jordan's GDP (estimated at \$24.7 billion for 2010)(ref G). EconOffs have heard from GOJ contacts, both during the last quarter of 2009 and through January 2010, that the budget crisis of 2009 and the cuts included in the 2010 budget will particularly impact GOJ public sector capital expenditure projects as well as the day-to-day operations of all GOJ ministries and other entities by severely limiting overtime, new hiring, and official travel. New furniture and vehicle purchases will also be curtailed.

Capital Expenditures Hit Hardest

13. (SBU) In reviewing the details of the 2010 budget, capital expenditures appear to have taken the hardest hits. The Ministries of Information and Communications Technology, Culture, and Environment all had at least 30% cuts in their capital expenditure budgets. The capital expenditure budget of the Ministry of Defense will be slashed 48%, with the remaining capital expenditure funds dedicated to a military academy project. The few ministries with increases to capital expenditure budgets were the Ministry of Energy and Mineral Resources, whose expenditures are related to Jordan's nuclear energy project, and the Ministry of Transportation, which had a revenue influx, in part to cover the costs of land acquisition for a rail line between Amman and Zarqa, an industrial town 15 kilometers northeast of the capital (ref D).

Making Ends Meet

14. (SBU) Zeroing in on the budgets for certain GOJ entities gives a better picture of how the 2010 budget will impact GOJ operations. Starting at the top, even the Royal Court will see 18% cuts in its budget, including cuts to salaries by \$10 million, capital expenditures set at \$0, equipment purchases cut from \$1.4 million to \$46,000, a phone and communications budget cut from \$1.8 million in 2009 to \$170,000, and a decrease in the fuel budget from \$2.5 million to \$170,000.

15. (SBU) The Ministry of the Environment (MOE) has been hit with a
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35% cut in its capital expenditure budget. Because of the cuts, the MOE will increase its focus on public-private-partnerships (PPP) to carry out some of its critical programs. For example, Jordan's National Agenda calls for a medical and hazardous waste program. The GOJ was intending to carry out the project independently, but is instead moving the plan forward as a PPP with a \$42 million investment. The MOE is also a focal point for 19 treaties and its officials therefore must conduct official travel. The Prime Ministry has been accommodating, but MOE is trimming the size of its delegations and traveling at the expense of others whenever possible. Foreign Ministry officials commented that whenever possible, diplomats from Jordanian embassies will attend events in host or nearby countries, cutting traveling expenses but also limiting technical expertise.

Less Travel, Fewer New Hires

16. (SBU) The Jordan Institution for Standards and Metrology (JISM), Jordan's standards and safety regulatory agency and a key GOJ interlocutor on Intellectual Property Rights issues, complained to EmbOffs that the amounts slashed from travel budgets were arbitrary and that JISM will not be able to attend many of the conferences and meetings in which it usually participates. JISM is in the process of prioritizing its travel requirements, focusing first on events of those international bodies where JISM plays a leadership role.

17. (SBU) The leadership of the Jordan Investment Board (JIB) told EconOffs that the cuts have not had a great impact on its travel budget because much of JIB's travel is in advance of or along with the King's travel and thus covered by the Royal Court. Like JISM and other agencies, however, there are no plans to hire new staff despite Jordan's need and desire to further promote foreign investment in Jordan.

18. (SBU) The Jordan Food and Drug Administration (JFDA) asserted to EconOffs that the cuts have impacted not only their travel budget, but also plans for expansion. The JFDA wanted to open a Zarqa office since most of Jordan's packaged food is manufactured there. Those plans are now on hold. Inspections will also be affected by the cuts and JFDA has had to prioritize training options.

19. (SBU) Contacts at Jordan's Ministry of Industry and Trade explained to EconOffs that most of its travel is not for conferences

and seminars, but rather for bilateral or multilateral trade talks and as a result will not take significant cuts. They told EconOffs that MOIT will, however, cut overtime by 30% by curtailing Saturday work to keep the Ministry dark an extra day of the week, an energy-saving measure that should save the Ministry 15% in electrical use, preserving both the environment and the Ministry's budget.

Impacts of the Cuts on the USG

¶10. (SBU) Comment: In the 2010 budget, current expenditures, which cover salaries and pensions for civilian and military employees, are already at \$6.4 billion and account for 83% of expenses. The budget cuts leave little room for new hiring, and any new hiring that does take place would further increase the deficit. Further reason for concern is that Jordan's 2010 revenues are expected to be lower compared to 2009 revenues, because 2009 saw an actual increase in income and sales tax revenue based on strong growth in 2008 (ref B).

Weak growth in 2009 will translate to lower income and sales tax revenues this year (taxes on 2009 income will be paid in 2010). This along with a continued downward trend for the collection of land sales and other fees by the GOJ in 2010 portends an even more precarious budget situation during the second half of 2010.

¶11. (SBU) Comment continued: These budget issues will certainly create new policy considerations for the USG in the year ahead.

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Post anticipates even more requests from the GOJ for financial and technical assistance. The budget crunch will likely become an obstacle or cause for delays in key reform and development projects of interest to the U.S., particularly for those that require the hiring of additional Jordanian staff or new construction at GOJ expense. As examples, implementation of the Megaports Initiative, standing up an independent and robust Anti-Money Laundering Unit, and increasing labor inspectors under the Ministry of Labor all require new staff positions and might be impacted, although GOJ interlocutors assert these particular programs will be able to secure funding and that shifting personnel within ministries or between them is also an option. End comment.

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